

**STATUS REPORT ON
FEDERAL FINANCIAL MANAGEMENT SYSTEMS**

Investing in Improvements to Support Better Management

Report for FY 1997

Prepared by

The Chief Financial Officers Council
Financial Systems Committee

and

The Office of Management and Budget
Office of Federal Financial Management
Federal Financial Systems Branch

October 1998

FINANCIAL SYSTEMS COMMITTEE

Foreword

This is the fifth annual edition of the *Status Report on Financial Management Systems*, which is prepared by the Chief Financial Officers Council's Financial Systems Committee and the Office of Management and Budget's Office of Federal Financial Management. This report includes information that can assist agencies and oversight organizations in making better investment decisions about federal financial management systems. By analyzing the indicators presented here, agency managers can gauge progress against guidelines contained in OMB Circular A-127, *Financial Management Systems*. Also, decision makers in both the public and private sectors can use this publication to help identify deficiencies to be corrected and opportunities to be pursued that require attention.

This report summarizes the status of financial management systems for the 24 agencies covered by the Chief Financial Officers Act of 1990 (CFOs Act). The Federal Government has made significant progress in improving financial management systems since passage of the CFOs Act, but more work is needed to meet growing demands. As indicated in previous years' reports, the task of upgrading and replacing financial management systems in Federal agencies is a long-term and continuous process that requires a substantial investment of time and resources.

The Committee appreciates the cooperation and support received from the CFO agencies and OMB in producing this report. Particular thanks go to members of the Systems Status Report Subcommittee: Gerald Thomas (Department of Defense), Karen Alderman and Doris A. Chew (Joint Financial Management Improvement Program), Vidal Falcon (Department of Veterans Affairs), and Jean Holcombe (Office of Management and Budget).

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LIST OF ACRONYMS

CFO	Chief Financial Officer
CFOs Act	Chief Financial Officers Act of 1990
CIO	Chief Information Officer
EDIPAC	Electronic Data Interchange Payments and Collections (system)
FACTS	Federal Agencies' Centralized Trial Balance System (system)
FACTS II	Federal Agencies' Centralized Trial Balance System for Budgetary Information (system)
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GMRA	Government Management Reform Act of 1994
GPRA	Government Performance and Results Act of 1993
IT	Information Technology
OPAC	Online Payments and Collections (system)
SGL	U.S. Government Standard General Ledger
SIFMS	Single, Integrated Financial Management System

AGENCY AND ORGANIZATION ACRONYMS

AID	Agency for International Development
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of the Interior
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
DOT	Department of Transportation
ED	Department of Education
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FMS	Department of the Treasury Financial Management Service
GAO	General Accounting Office
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
NASA	National Aeronautics and Space Administration

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NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OFFM	OMB's Office of Federal Financial Management
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SBA	Small Business Administration
SSA	Social Security Administration
TREAS	Department of the Treasury
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs

STATUS REPORT ON FEDERAL FINANCIAL MANAGEMENT SYSTEMS: Investing in Improvements to Support Better Management

Financial management systems should: support improved financial processes; provide timely, accurate information; and remain efficient throughout their life cycles. Improved financial management systems will enhance federal managers' decision making abilities and are needed to support many other initiatives. For example, financial management systems must yield accurate, timely, and useful data to ensure the cost-effective preparation and audit of financial statements in accordance with the Chief Financial Officers Act (CFOs Act) of 1990 and the Government Management Reform Act (GMRA) of 1994. In addition, the Federal Financial Management Improvement Act (FFMIA) of 1996 legislated substantial compliance with financial management system policies, including financial management system requirements, applicable federal accounting standards, and use of the U.S. Government Standard General Ledger at the transaction level.

The decade of the 1990's has seen dramatic changes in and emphasis on financial management within the Federal Government. Improving financial management systems has been a major component of the Federal initiatives and as the information within this report indicates, substantive improvements have been achieved. Overall, agencies have reduced the number of financial management applications and systems upon which they must rely while implementing new and/or upgraded applications that comply with Federal requirements. While further progress is needed, agencies have increased implementation of the United States Standard General Ledger (SGL) at the transaction level within their financial systems.

Federal agencies need to further address financial management systems issues and deficiencies to build upon the progress and momentum achieved to date. For example, only about 40 percent of the agencies core and non-core financial system applications are considered part of the agencies' integrated financial management system, as defined by OMB Circular A-127. Furthermore, agencies reported that only about 60 percent of their operational applications comply with financial data standards. They also reported that data standards had not been established for about one-fourth of their operational applications and phased or developmental applications. Also, as the year 2000 looms ever closer, agencies still have much work to undertake in modifying and testing their systems to ensure that "year 2000" problems have been adequately addressed.

Budgetary Implications

Approximately \$1.6 billion, or about one percent of the Federal Government's annual budget, is spent on developing, operating, and maintaining financial management systems (i.e., financial systems and the financial portions of mixed systems). While this relatively small percentage, in terms of overall Federal expenditures, might cause the reader to conclude that financial management systems are of little concern or significance, the truth is that these systems monitor, control, and account for the financial consequences of all government activities.

Financial management systems have a profound impact on the Federal Government's ability to support program delivery, safeguard assets, and manage taxpayer dollars. Budgetary decision makers must have confidence that their agency's financial management systems are reliable, meet government requirements, and produce accurate financial and budgetary data and reports.

Unfortunately, many financial management systems still are inadequate; they may process financial data improperly or fail to produce information needed to manage programs and agency operations. Further, the Federal Government's financial management systems must be continually updated to meet new requirements for accounting, budgeting, and reporting and take advantage of new technology. These demands for change have increased in recent years and are likely to continue to increase in the future. System upgrades or replacements are planned or underway at most agencies, but many agencies are finding that constraints on funding, technology, and knowledgeable personnel make meeting these demands difficult.

Strategy for Improving Financial Management Systems

The Chief Financial Officers Council (CFO Council) published the following priority statement for improving financial management systems in the *1998 Governmentwide Financial Management Status Report and Five-Year Plan*:

“Establish financial management systems throughout the Federal Government, using standardized information, electronic data exchange, and commercially provided software and transaction processing services.”

The CFO Council expects Federal agencies to make improvements in four primary areas related to financial systems: (i) standardizing the financial information environment; (ii) capturing transactions electronically; (iii) implementing the process for compliance reporting, required in the Federal Financial Management Improvement Act of 1996 (FFMIA); and (iv) preparing for the year 2000 and beyond.

The rationale for this approach assumes that:

- new systems are selected or (when necessary) developed within a standardized information environment. A standardized environment includes requirements for commercial systems and software, systems architecture, and information architecture for collecting and reporting budget, accounting, and program data;
- transactions are captured electronically, at a sufficient level of detail to allow appropriate aggregation and reconciliation, using commercial systems where available, or commercial software; and
- development of a standardized information environment and selection of commercial systems and software should be directed at achieving FFMIA compliance and ensuring that financial systems function properly in the year 2000.

Many organizations are working to improve federal financial management systems, including the Congress, the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Chief Financial Officers Council, the Joint Financial Management Improvement Program (JFMIP), the Department of the Treasury, individual program agencies, and private sector firms that offer financial management services and software to the Federal Government.

Key Status Indicators

This report provides information that can assist agencies and oversight organizations to make better investment decisions about financial management systems. The information contained herein can provide Federal managers helpful perspectives on the status of their individual agency's financial management systems and how their agency "rates" within the overall Federal sector. By analyzing the indicators presented here, decision makers in both the public and private sectors can identify deficiencies and opportunities that deserve investment attention.

This report focusses on four areas where agencies need to improve financial management systems:

- compliance with system requirements of the CFOs Act and FFMIA;
- agency control over financial management system operations;
- implementation of COTS software, cross-servicing, and outsourcing initiatives; and
- adequacy of financial management system improvement plans.

Key status indicators have been defined for each of these focus areas. Governmentwide trend information is provided in the overview section. Sections for the four focus areas provide information by agency or application type, as appropriate, on the indicators defined for that area.

Status Indicators' Source and Definition

The information and indicators presented in this report were derived from the financial management systems inventory updated at the end of each fiscal year (in this case, FY 1997) by the 24 agencies covered by the CFOs Act. Agencies develop this information during their annual financial management planning process and provide it to OMB in support of their budget requests. The inventory includes information on each financial application that is part of a financial management system critical to agency financial management. (See Appendix A for definitions of "financial management system" and "application.")

Unless otherwise specified, all of the indicators presented here are based upon the number of applications in operation at the end of FY 1997 for the agencies' own use. Agency applications under development or in the process of a phased implementation are excluded. Governmentwide systems (listed in Appendix E) also are excluded. Governmentwide plans and tasks for improving

financial management systems are presented in section B of the *1998 Federal Financial Management Status Report and Five-Year Plan*.

Overview

The agencies covered by the CFOs Act report that, as of the end of FY 1997, they had 751 agency financial management systems (consisting of 1,117 applications) in operation, and 123 agency financial management systems under development or in the process of a phased implementation. These numbers include 52 applications that are provided to agencies through cross-servicing with other agencies or commercial outsourcing. Chart 1 illustrates the trends in the number of operational financial management systems and applications reported since FY 1992. The total number of operational agency applications and systems supporting financial management functions dropped during FY 1997. Redundant applications are being eliminated due to system consolidation and are being replaced by new applications designed to support operations streamlined by business process reengineering or agency downsizing. Likewise, spending on financial systems has remained

relatively constant over the previous four years (the period in which consistently defined data has been collected) as shown in Chart 2.

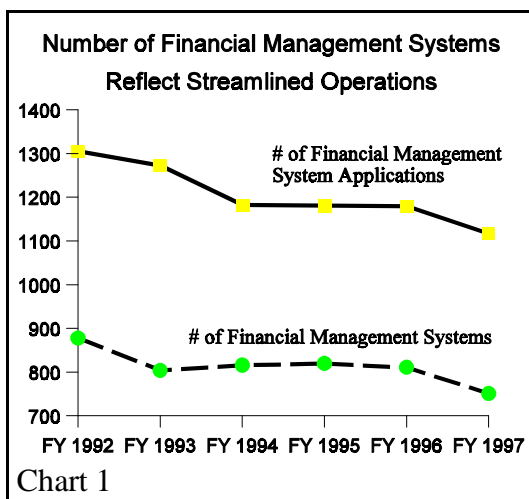
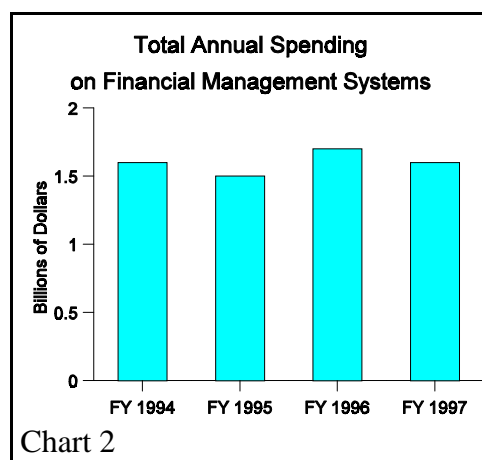
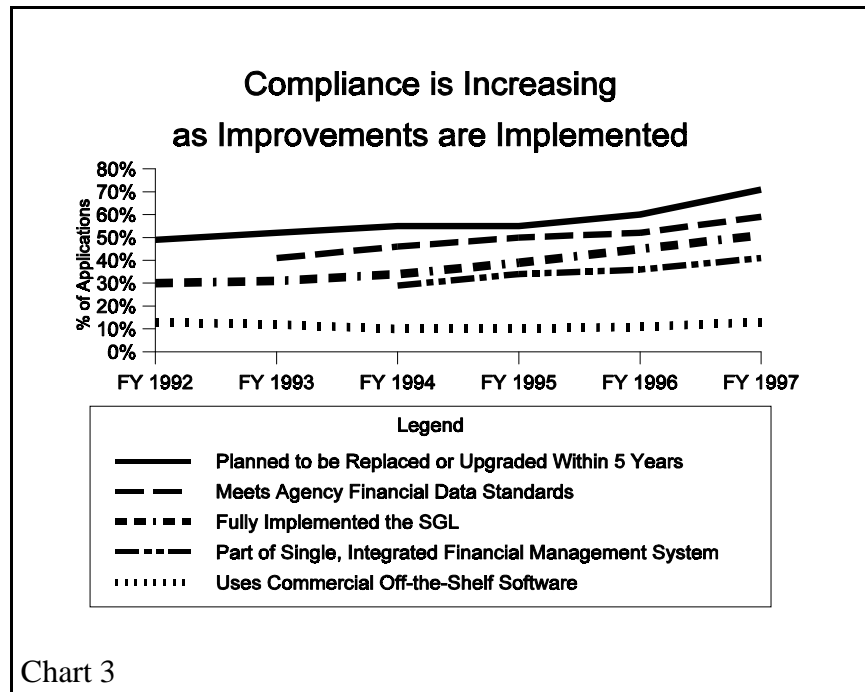


Chart 3 shows governmentwide trends since 1992 in adopting financial management system improvements. Percentages provided are based on the number of agency applications in operation. As of September 30, 1997, agencies indicated that they plan to replace or upgrade 71 percent of



their operational applications. Agency standards for financial data are met by 59 percent of operational applications. The U.S. Government Standard General Ledger (SGL) has been fully im-

plemented at the transaction level in 51 percent of all of the applications for which agencies report that the SGL applies. Agencies have designated 41 percent of their applications to be part of their "single, integrated financial management system" as defined in OMB Circular A-127, *Financial Management Systems*. Usage of COTS software is up from the previous year to 13 percent of operational applications.



are important for several reasons. First, the central agencies (i.e., the Office of Management and Budget and the Department of the Treasury) use them to meet their responsibilities for overseeing financial management throughout the Federal Government. Second, the systems are used to improve the quality and reduce the costs of shared services to multiple agencies. Third, the governmentwide systems provide centralized processing or data collection, and they maintain financial and related performance measurement data provided by the program agencies and used for governmentwide reporting and decision support. A list of governmentwide financial management systems is provided in Appendix C.

Extensive work still is needed in the area of central financial management systems in order to implement the vision for Federal Government financial management systems. Currently, the central management agencies are unable to carry out fully their fiduciary responsibilities due to untimely, incomplete, unreliable, inconsistent, and insufficient financial management information. Furthermore, data maintained in central management agency systems often is not readily accessible to all who need it. Consequently, Federal policy makers often do not have sufficient information to understand fully the financial implications of various programs. As a result, information provided on the financial status of the Federal Government to the Congress and the public frequently is inadequate.

Governmentwide Systems

Governmentwide financial management systems

Inadequacies in central agency systems also increase reporting burdens on the program agencies. For example, some data elements are reported redundantly to various central agency systems. Improvements are being implemented, as resources permit, through a series of joint efforts between OMB and Treasury FMS such as the implementation of FACTS II to collect a single stream of standardized budget execution data elements.

Compliance with Financial Management System Requirements in Law

The CFOs Act requires each agency CFO to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which:

- complies with applicable accounting principles, standards, and requirements, and internal control standards;
- complies with such policies and requirements as may be prescribed by the Director of OMB;
- complies with any other requirements applicable to such systems; and
- provides for:
 - complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;
 - the development and reporting of cost information;
 - the integration of accounting and budgeting information; and
 - the systematic measurement of performance.

Furthermore, the FFMIA mandates that agencies implement and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level.

Information from the financial management systems inventory that assist in understanding the status of compliance with the CFOs Act and FFMIA includes (1) compliance with JFMIP federal financial management system requirements; (2) progress toward full implementation of the SGL at the transaction level; (3) compliance with agency external reporting, internal reporting, and processing requirements; and, (4) compliance with accounting standards. FY 1997 was the first year in which financial statement audit reports contained the auditors' opinion on the agency's compliance with FFMIA. As of August 1998, 23 agencies had submitted their 1997 audited financial statements. Of these 23 agencies, four agencies--Department of Energy (DOE), General Services Administration (GSA), National Aeronautics and Space Administration (NASA), and National Science Foundation (NSF)--were reported to substantially comply with FFMIA, while 19 agencies were reported by auditors to be substantially non-compliant.

Compliance with Federal Financial Management System Requirements

FFMIA requires substantial compliance with federal financial management system requirements. These requirements are identified in OMB Circular A-127 and include by reference a major set of requirements promulgated in JFMIP documents called *Federal Financial Management System Requirements*, which started with the *Core Financial System Requirements*. Core financial system functions include general ledger management, funds management, payment management, receipt management, cost management, and reporting. Agencies and their auditors use the JFMIP documents when developing, acquiring, and enhancing systems and in determining systems compliance with federal financial management system requirements. The systems inventory contains information reported by the 24 CFO agencies on compliance with JFMIP requirements for four types of systems:

- 46 percent of core financial system applications comply
- 60 percent of civilian personnel/payroll system applications comply
- 58 percent of travel system applications comply
- 52 percent of loan (direct and guaranteed) system applications comply

Overall for the four types of systems, agencies reported that 49 percent of the operational applications (up from 36% reported last year) and 90 percent of the applications under development or in a phased implementation comply with pertinent JFMIP requirements.

Implementation of the SGL at the Transaction Level

Implementation of the SGL at the transaction level is one of the major requirements of FFMIA. The SGL was established and mandated for use in 1986. However, as of September 30, 1997, agencies reported that slightly more than half of the operational applications include full implementation of the SGL at the transaction level. The SGL promotes consistency in financial transaction processing and reporting. Full implementation of the SGL at the transaction level is important to an agency because external reporting relies increasingly on the SGL. For example, Governmentwide groups working on implementation guidance for accounting standards assume use of the SGL.

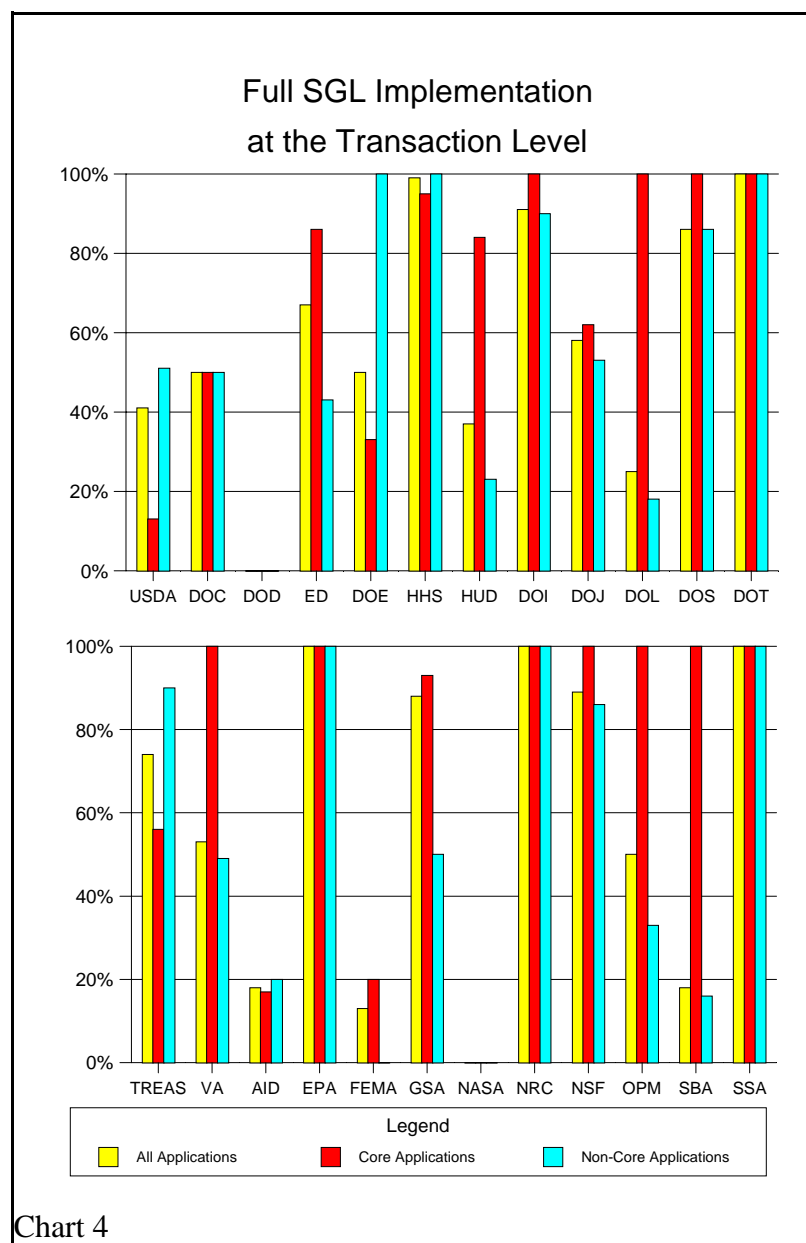


Chart 4

Chart 4 shows the percentage of agency applications (excluding those reported as not applicable) that fully implement the SGL at the transaction level. The data are stratified with percentages for all applications, core financial system applications, and non-core applications. Only 51 percent of the agency applications, to which agencies report the SGL applies, fully use the SGL at the transaction level. This percentage represents 43 percent of core financial system applications and 56 percent of other (non-core) types of applications. These percentages should increase over time because 86 percent of the applications to which the SGL applies and that are now under development or in a phased implementation are planned to use the SGL fully at the transaction level.

Compliance with Reporting and Processing Requirements

Agencies use financial management systems to provide external reports to OMB, Treasury, and others, produce

information for use internally by financial and program managers, and process transactions. In addition to meeting the external reporting requirements of OMB and Treasury, the CFOs Act requires that systems provide complete, reliable, consistent, and timely information which is (1) prepared on a uniform basis, and (2) responsive to the financial information needs of agency management. Agency financial management systems also are expected to process financial transactions efficiently and effectively.

Chart 5 shows the percentage of operational financial management systems that agencies report meet all or most of the internal and external reporting requirements and transaction processing requirements. Overall, 68 percent of the applications that prepare external reports meet all agency needs in that area, and another 27 percent meet most agency needs, for a total of 95 percent. For internal reporting, 64 percent of the applications meet all agency needs, and another 31 percent meet most agency needs, for a total of 95 percent. For processing, 60 percent of the applications meet all agency needs, and another 35 percent meet most agency needs, for a total of 95 percent. Although these percentages are encouraging, some agencies probably need to reexamine their requirements because the status of their financial statements indicate that some of these percentages may be too high.

Agency Control Over Financial Management Systems

Agencies must integrate their financial management systems and manage them as a portfolio to provide the best control over their operations. OMB Circular A-127 requires agency CFOs to implement a single, integrated financial management system in their agencies. This term does not imply one monolithic system. Instead, it means a unified set of financial systems and financial portions of mixed systems that are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agencywide financial system support necessary to carry out the agency's mission and support the agency's financial management needs. Key indicators in this area include (1) the percentage of applications that are part of a single, integrated financial management system; (2) compliance with agency

Agencies Report High Level of Compliance with Reporting and Processing Requirements

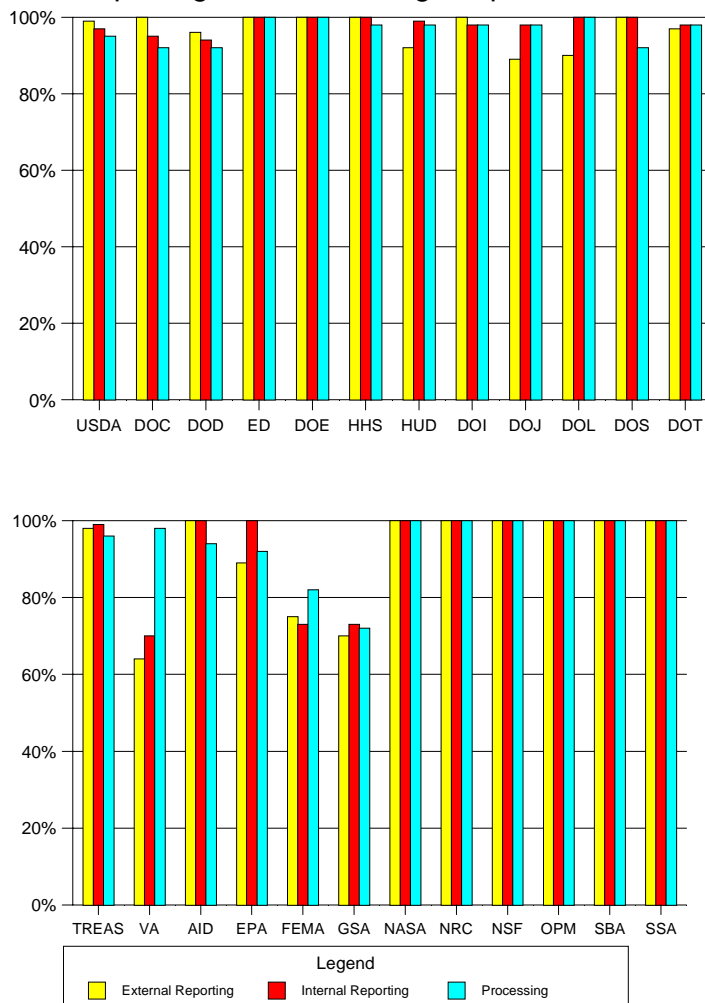


Chart 5

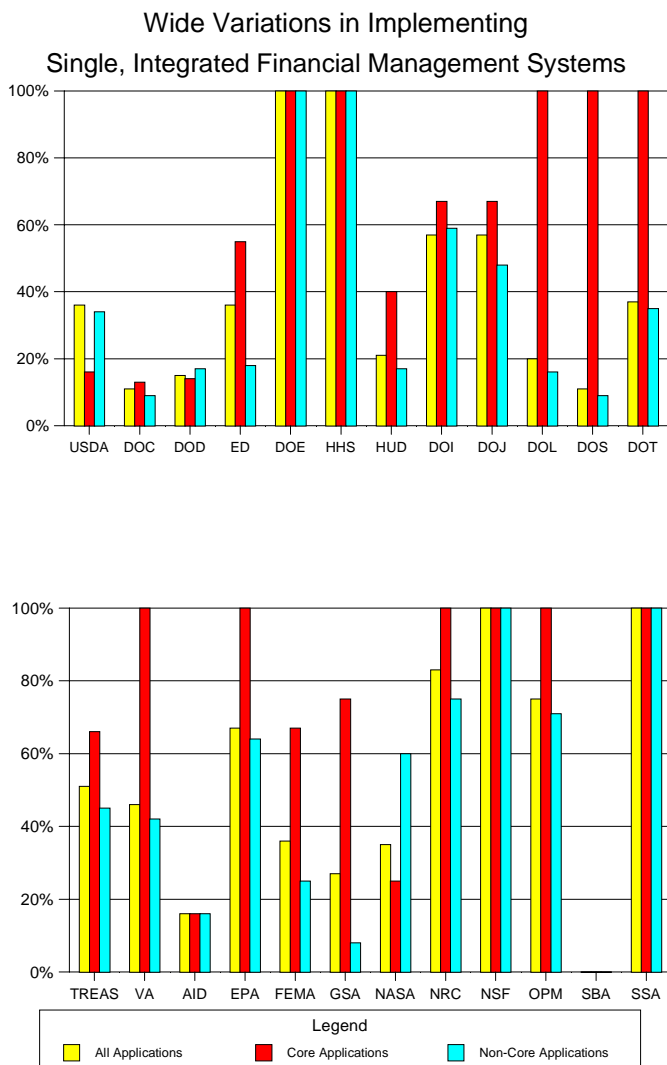


Chart 6

data standards; and (3) compliance with agency information technology standards.

Single, Integrated Financial Management Systems

OMB Circular A-127 requires that single, integrated financial management systems be designed to provide for effective and efficient interrelationships among software, hardware, personnel, procedures, controls, and data contained within the systems. Chart 6 shows the percentage of each agency's core financial system applications and non-core applications that are considered to be part of the agency's single, integrated financial management system, as defined in OMB Circular A-127.

Across all of the CFOs Act agencies, 48 percent of core financial system applications and 34 percent of non-core applications, for a combined average of 38 percent, are considered to be part of an agency's single, integrated financial management system. This reflects the agencies' primary focus on core financial systems. However, to continue progress in this area, agencies need to engage their

program managers in integrating agency program systems with the systems that support agency financial management, budgeting, and performance measurement.

Compliance with Agency Data Standards

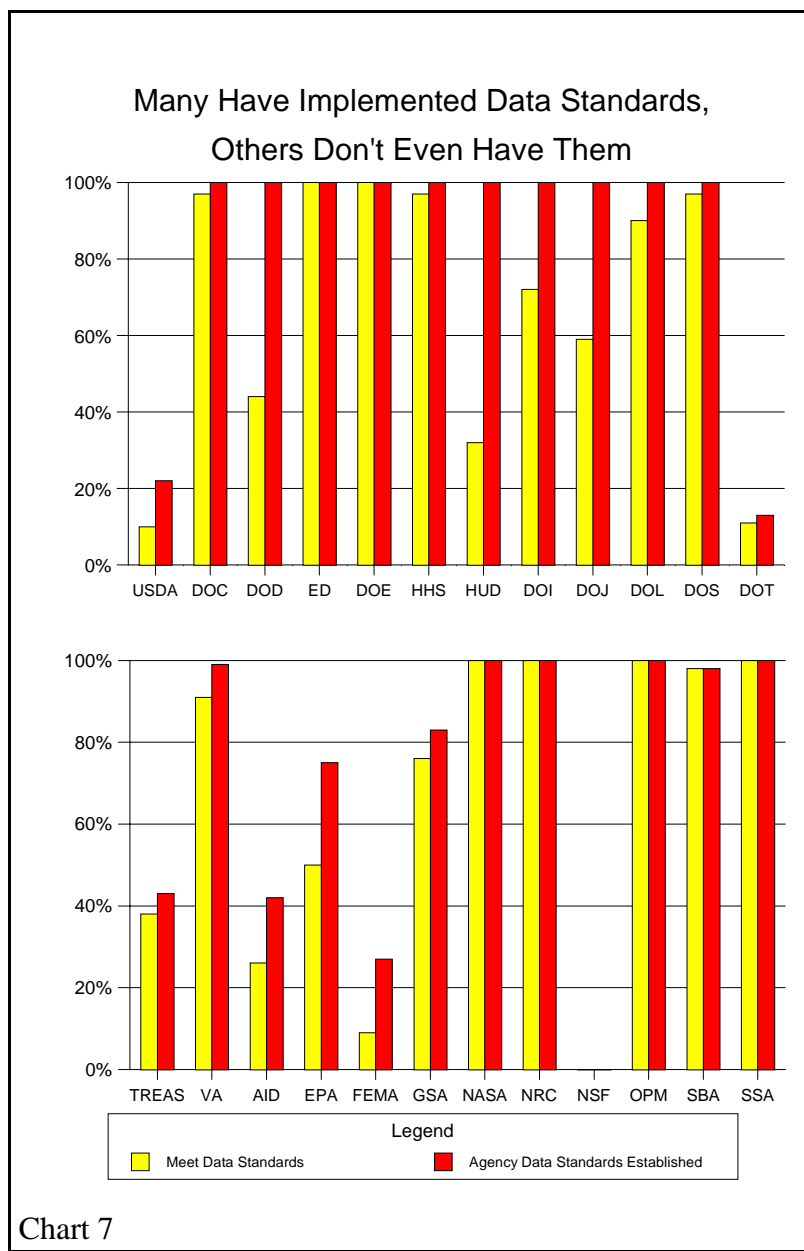
Agencywide data standards minimize data redundancy and help to ensure that consistent information is collected throughout the agency and made readily available to managers at all levels of the organization. Without data standards, integration of systems becomes nearly impossible, and data quality should be considered suspect.

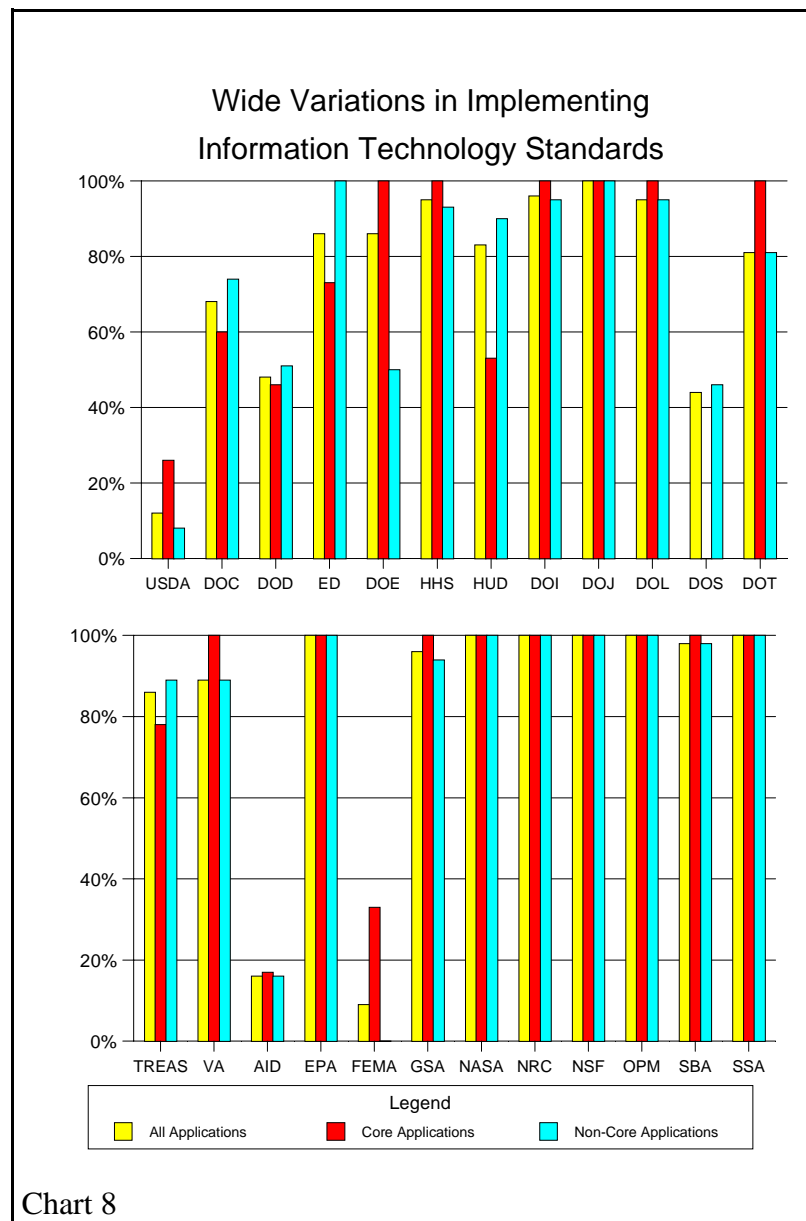
Agencies reported that only 59 percent of operational applications comply with financial data standards. Moreover, agencies have not even established financial data standards for 24 percent of operational applications and 21 percent of phased or developmental applications. Chart 7 shows the percentage of operational applications that comply with agency data standards and the percentage of operational applications for which agencies report they have data standards.

Agency CFOs and CIOs should work together to establish and enforce data standards for financial management systems. Ideally, agencies will establish standards (e.g., definitions, formats, values, names) for all data used by the agency. At a minimum, agency CFOs should ensure that data standards for financial data (especially the accounting classification structure maintained by the core financial system -- fund, organization, program, etc.) is applied consistently throughout the agency.

Compliance with Agency Information Technology Standards

Information technology (IT) infrastructure standards cover such items as computer platforms, database management systems, and tele-





communications. These standards help to establish a consistent, stable environment in which financial management systems can operate efficiently and effectively. As with data standards, agency CFOs and CIOs should ensure that adequate IT standards are established and used consistently.

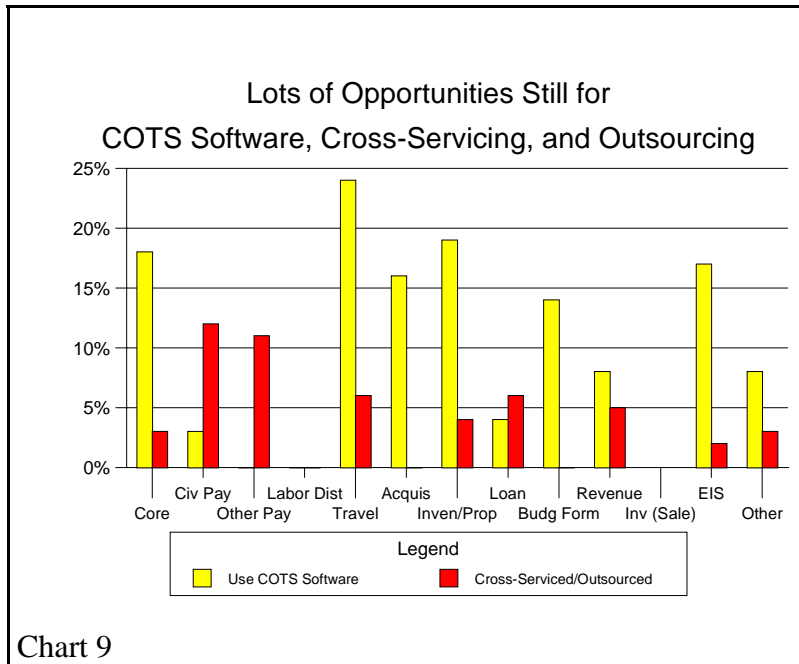
Chart 8 shows the percentage of each agency's core financial system applications and non-core applications that meet either current or target agency IT infrastructure standards. For all CFOs Act agencies, 67 percent of core financial system applications and 72 percent of non-core applications, for a combined average of 70 percent, reportedly meet agency IT infrastructure standards. Furthermore, 89 percent of the systems under development or in a phased implementation are planned to comply.

Outsourcing Initiatives

Thirteen of the 24 CFOs Act agencies report that they use cross-servicing or outsourcing for operation of 44 financial management system applications, over 4 percent of the total reported. COTS software is used for 141 operational applications, 13 percent of the total reported.

Implementation of COTS Software, Cross-servicing, and

Chart 9 shows the percentage, by application type, of those applications that use COTS software and those that are cross-serviced or outsourced. Only travel applications exceed 20 percent for use of COTS software. Civilian personnel/payroll and other personnel/payroll (e.g., military, foreign service), acquisition, budget formulation, core accounting, executive information systems, and inventory/property all exceed 10 percent for cross-servicing or outsourcing.



Many agencies are considering greater use of COTS software, cross-servicing, and outsourcing in the future as they seek to improve their financial management systems with less cost and effort. Agencies report that they plan to use COTS software for 36 percent of their phased and developmental applications, and will use cross-servicing or outsourcing for 5 percent of those applications.

Adequacy of Financial Management System Improvement Plans

Agency managers and other decision makers need to anticipate, plan, and budget for improvements to financial management systems to make them adequate to support the increasing demands upon both financial and program managers. As evidenced by legislation enacted in recent years (e.g., CFOs Act, GMRA, GPRA, FFMIA), agencies are being asked to capture, analyze, and report more information better, faster, and cheaper.

Demands placed on financial management systems are expected to continue to increase. However, many agencies lack the funds and other resources needed to replace or upgrade some of the systems that need modernization. This situation adversely affects those agencies' ability to implement management improvements that depend on better financial management systems. Despite these constraints, agencies continue to make improvements, including projects to implement changes to the SGL and new accounting standards as mandated by OMB Circular A-127 and FFMIA. Two key indicators of the adequacy of agency plans to meet the increasing demands on financial management systems are (1) the status of agency efforts to deal with the year 2000 problem, and (2)

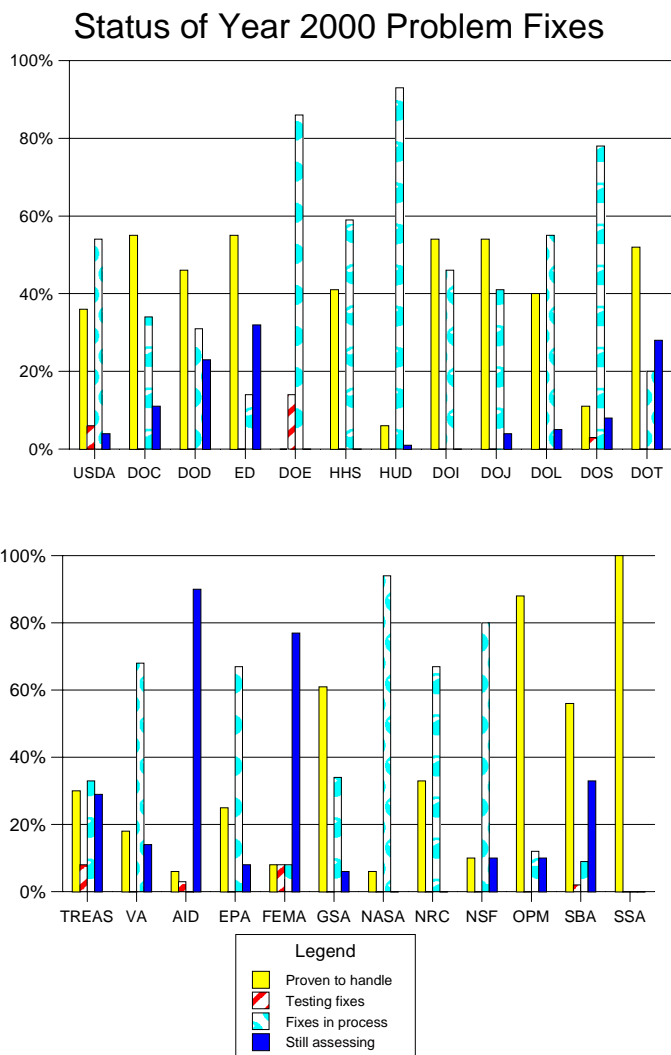


Chart 10

agency plans to replace or upgrade systems compared to the reported expected useful lives of existing systems.

Year 2000 Problem Fixes

Although agencies have been working on the year 2000 problem, some still have much work to do. Given the immovable nature of this deadline and the lead times needed for changes, immediate action is critical. Chart 10 shows information on the year 2000 problem fixes, as reported by the agency CFO offices in October 1997, for operational agency financial management systems. Overall, agencies reported 38% of the operating financial management applications were tested and proven year 2000 compliant. These statistics do not reflect the efforts of agencies to fix year 2000 problems since October 1997.

Agency CFOs and CIOs must ensure that financial management systems can handle the year 2000 properly. If not corrected, systems may reject legitimate entries, compute erroneous results, or simply fail to run. In some cases,

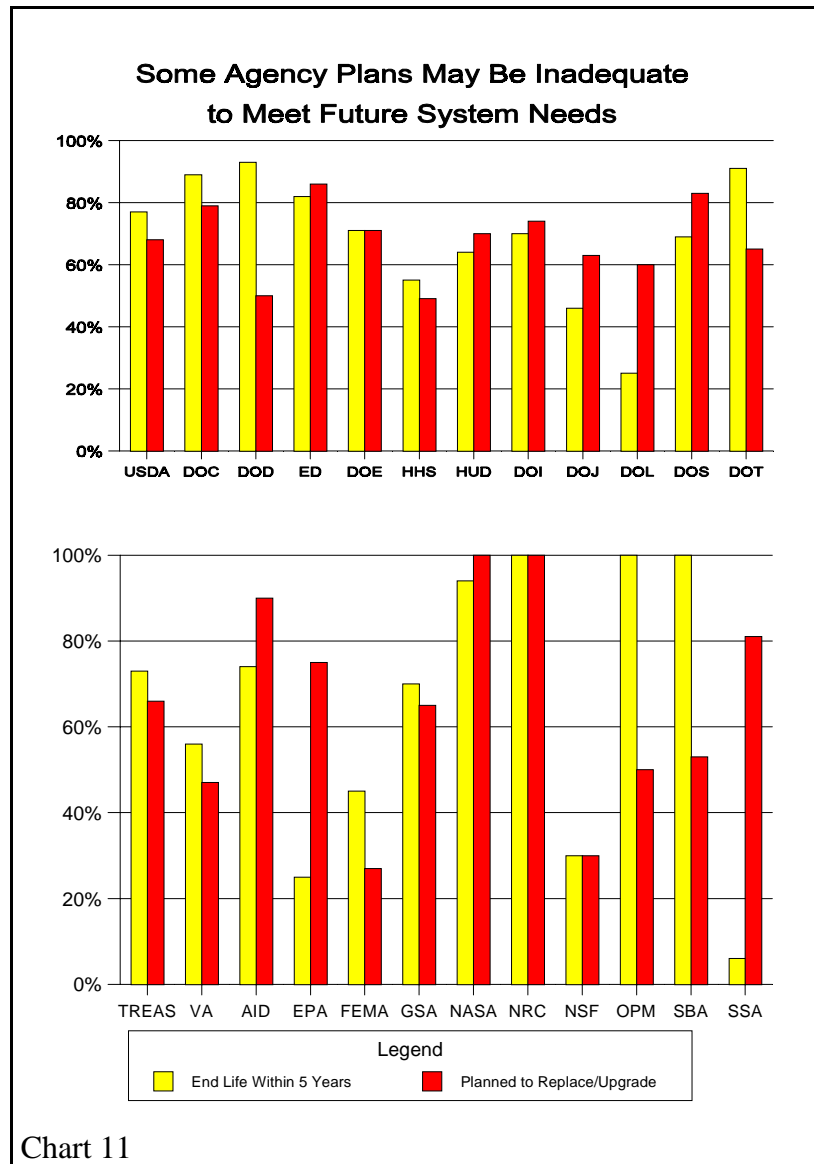
problems will occur before the year 2000, such as in agencies with multi-year appropriation authority extending into or beyond the year 2000.

Agency Replacement and Upgrade Plans

Agencies have planned to replace or significantly upgrade 708 applications (60 percent) within the next five years. However, agencies expect 891 applications (76 percent) will reach the end of their useful lives in the same time frame. Either almost 200 applications must be added to

current improvement plans or they will continue beyond their estimated useful lives, with the resulting negative impacts on operations from using inadequate systems.

Chart 11 provides the percentage of applications with an end life within five years compared to the percentage planned to be replaced or upgraded within five years. An end life percentage much greater than the replace/upgrade percentage may indicate future problems either in the form of additional resource demands or systems that cannot meet future needs. Unless an agency recently has implemented new systems or upgrades, low percentages may indicate they are not considering changes that may be needed to meet new demands.



Appendix A

Definitions

The following definitions were provided in the guidance for updating the OMB financial management systems inventory and are based on OMB Circular A-127 (revised July 1993), *Financial Management Systems*:

- A. Single, Integrated Financial Management System means a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls and data necessary to carry out financial management functions, manage financial operations of the agency and report on the agency's financial status to central agencies, Congress and the public. Unified means that the system are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.
- B. Financial System means an information system, comprised of one or more applications, that is used for any of the following:
- collecting, processing, maintaining, transmitting, and reporting data about financial events;
 - supporting financial planning or budgeting activities;
 - accumulating and reporting cost information; or
 - supporting the preparation of financial statements.

A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements.

A financial system encompasses automated and manual processes, procedures, controls, data, hardware, software and support personnel dedicated to the operation and maintenance of system functions. A financial system may include multiple applications that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

- C. Non-financial System means an information system that supports non-financial functions of the Federal government of components thereof and any financial data included in the system are insignificant to agency financial management and/or not required for the preparation of financial statements.

- D. Mixed System means an information system that supports both financial and non-financial functions of the Federal government or components thereof.
- E. Financial Management Systems means the financial systems and financial portions of mixed systems necessary to support financial management.
- F. Application means a group of interrelated components of financial or mixed systems which supports one or more functions and has the following characteristics:
- a common data base
 - common data element definitions
 - standardized processing of similar types of transactions
 - common version control over software
- G. Financial Event means any occurrence having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; or other reportable financial activities.
- H. Application of the U.S. Government Standard General Ledger at the Transaction Level. Financial events shall be recorded by agencies throughout the financial management system applying the requirements of the U.S. Government Standard General Ledger (SGL) at the transaction level. Application of the SGL at the transaction level means that the financial management system will process and report results of transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires:
- Data in Financial Reports Consistent with the SGL.
All reports produced by the systems, whether used internally or externally, shall provide financial data that can be traced directly to the SGL accounts.
 - Transactions Recorded Consistent with SGL Rules.
The criteria (e.g., timing, processing rules/conditions) for recording financial events in all financial management systems shall be consistent with accounting transaction definitions and processing rules defined in the SGL.
 - Supporting Transaction Detail for SGL Accounts Readily Available. Transaction detail supporting SGL accounts shall be available in the financial management systems and directly traceable to specific SGL account codes.

Implementing the Standard General Ledger at the transaction level requires that the Core Financial System General Ledger Management Function is in full compliance with the Standard General Ledger (SGL) chart of accounts and processing rules; transactions from

feeder systems are summarized and fed into the Core Financial System's General Ledger following SGL requirements through an interface (automated or manual); detail supporting the interface transactions can be traced back to the source transactions in the feeder systems; and the feeder systems follow business rules that are consistent with SGL account definitions and processing rules.

A determination of compliance with the SGL does not depend on an application containing a general ledger itself. For example, a payroll system which processes transactions in accordance with SGL transaction rules, sends them to the core financial system for appropriate posting, and provides for sufficient traceability from the general ledger balances to the source transactions could be said to comply with the SGL at the transaction level. For additional guidance, see the Data Stewardship chapter in the *JFMIP Framework for Federal Financial Management Systems* published in January 1995.

Appendix B

Agency Systems and Applications

This appendix includes two charts identifying the numbers and types of financial management system applications at each agency. At a minimum, the scope of the agency financial management systems inventory encompasses core financial systems (as described in the JFMIP *Core Financial System Requirements Document*) and other financial and mixed systems critical to effective agency-wide financial management, financial reporting, or financial control.

This scope is the same as that required under OMB Circular A-11, Section 15.5, “Information on Financial Management,” and included in A-11 Exhibit 40B for agency budget submissions. Information to be submitted in the inventory is required to be at the application level (as defined in OMB Circular A-127), although information for Exhibit 40B is required only at the system level.

The numbers presented here do not include the governmentwide systems in Appendix E. The column headed “Number of Operational Agency Financial Management Applications” contains the base number used in calculating the agency percentages for the status indicators in this report.

The following application types are used in the inventory and appear in the second chart in this appendix:

- A Acquisition (Procurement, Purchasing)
- B Budget Formulation
- C Core Financial
- D Labor Distribution
- E Executive Information System
- I Inventory/Property
- L Loan
- O Other
- P Personnel/Payroll - Civilian
- R Revenue
- S Inventory (Held for Sale)
- T Travel
- Y Personnel/Payroll - Other (e.g., military, foreign service)

SYSTEMS AND APPLICATIONS			
AGENCY	NUMBER OF OPERATIONAL AGENCY FINANCIAL MANAGEMENT SYSTEMS	NUMBER OF OPERATIONAL AGENCY FINANCIAL MANAGEMENT APPLICATIONS	NUMBER OF APPLICATIONS IN DEVELOPMENT OR PHASED IMPLEMENTATION
USDA	69	140	13
DOC	15	38	3
DOD	156	156	0
ED	18	22	1
DOE	1	7	1
HHS	10	74	5
HUD	84	84	6
DOI	40	46	7
DOJ	13	46	6
DOL	20	20	0
DOS	35	36	5
DOT	40	54	17
TREAS	97	112	37
VA	23	57	4
AID	31	31	1
EPA	12	12	2
FEMA	10	11	2
GSA	30	71	5
NASA	16	17	0
NRC	6	6	2
NSF	8	10	2
OPM	1	8	1
SBA	13	43	2
SSA	3	16	1
TOTAL	751	1117	123

Source: CFO Agencies' FY97 Financial Systems Inventories Submitted to OMB

OPERATIONAL AGENCY APPLICATIONS

AGENCY	APPLICATION TYPE												
	ACQ (A)	BUDG FORM (B)	CORE FINL (C)	TRAV- EL (T)	PAY PER CIV (P)	PAY PER OTHER (Y)	LABOR DIST (D)	INV/ PROP (I)	INV (HELD FOR SALE) (S)	REV- ENUE (R)	LOAN (L)	EIS (E)	OTHER (O)
USDA	11	2	31	3	12	2	0	7	0	8	18	4	42
DOC	1	0	15	2	3	1	0	6	1	4	4	1	0
DOD	0	0	93	4	7	9	0	22	0	0	0	0	21
ED	0	0	11	1	1	0	0	1	0	0	4	0	4
DOE	0	1	5	0	1	0	0	0	0	0	0	0	0
HHS	3	1	19	3	4	0	0	4	1	17	0	2	20
HUD	0	1	15	1	3	0	0	2	0	6	3	2	51
DOI	3	3	3	1	3	0	0	12	0	4	0	6	11
DOJ	3	1	21	3	1	0	0	9	0	3	0	1	4
DOL	0	0	1	0	3	0	0	6	0	3	0	0	7
DOS	2	1	1	0	2	3	1	6	0	1	0	14	6
DOT	8	2	2	3	3	1	1	10	0	0	0	5	19
TREAS	6	1	32	7	13	0	0	15	0	9	0	2	27
VA	1	0	4	2	3	0	0	4	0	0	6	1	36
AID	3	2	6	0	4	2	0	7	0	0	3	3	1
EPA	3	0	1	0	2	0	1	1	0	0	1	0	3
FEMA	0	0	3	1	1	0	0	2	0	0	0	0	4
GSA	3	4	20	0	3	0	0	13	0	6	0	3	19
NASA	0	0	12	0	1	0	0	0	0	0	0	0	4
NRC	0	1	2	0	1	0	0	1	0	1	0	0	0
NSF	1	0	2	1	2	0	0	1	0	0	0	2	0
OPM	1	0	1	1	1	0	0	1	0	0	0	0	3
SBA	0	0	1	0	0	0	0	2	0	0	30	1	9
SSA	1	1	11	0	0	0	0	2	0	0	0	0	1
TOTAL	50	21	312	33	74	18	3	134	2	62	69	47	292

Source: CFO Agencies' FY97 Financial Systems Inventories Submitted to OMB

Appendix C

Governmentwide Financial Management Systems

System Name	Function(s) Supported	Agency
MAX Budget System	Budget Formulation and Execution	OMB
Credit Alert Interactive Voice Response (CAIVRS)	Loan	HUD
Debt Management System	Debt Collection	Justice
IRS Debtor System	Debt Collection	Treasury IRS
CASH-LINK	Deposits	Treasury FMS
Public Debt Accounting and Reporting System	Central Accounting	Treasury Bureau of Public Debt
Accounting Database for Evaluation of Performance Trends (ADEPT)	Management Information System	Treasury FMS
Foreign Currency Accounting System	Central Accounting	Treasury FMS
Investment Accounting System	Central Accounting	Treasury FMS
STAR	Central Accounting	Treasury FMS
Electronic Certification System	Payments	Treasury FMS
Payments, Claims, & Enhanced Reconciliation (PACER) [Under Development]	Payments	Treasury FMS
Treasury Receivable Accounting and Collection (payment recovery)	Payments	Treasury FMS
Government On Line Accounting Link System (GOALS), including FACTS, OPAC, and EDIPAC	Data Collection Payments, Collections	Treasury FMS
GSA Advantage	Procurement	General Services Administration
Automated Export System	Exports Information	Treasury Customs Service
Direct Premium Remittance	Billing and Collection	USDA
Thrift Saving Plan System	Benefits	USDA

System Name	Function(s) Supported	Agency
Wage Automated Generated Evaluation Systems	Payroll, Personnel	VA (with DOD)
Employee Benefits System	Benefits	OPM
Retirement System Modernization [Under Development]	Benefits	OPM